CableVision

INFORMATION...

NCTA Show Reveals Hotter Pace Ahead

CableVision

INFORMATION AND ANALYSIS FOR CABLE TELEVISION MANAGEMENT JUNE 5, 1989

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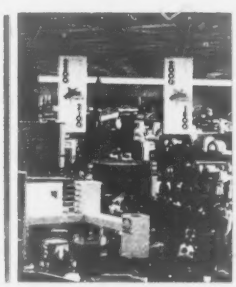
New directions, new strategies emerge in Dallas



Debating new strategies and directions

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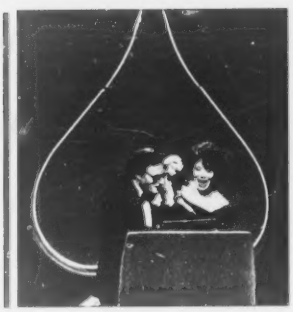

Paying more than a song for music

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THEFT IS ON THE RISE

	1986	1987	1988	1989	1990 (est.)
Cable TV households (A.C. Nielsen)	43.7	46.1	51.1	54.5	57.4
Cable subscribers (provided by cable programmers)	39.7	42.6	45.6	47.9	49.9
Difference	4.0	3.5	5.5	6.5	7.5
Percent difference	10.1	8.2	12.1	13.6	15.0

Source: Paul Kagan Associates. Subscriber counts in millions.

Confronting the rise in cable theft

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ITCI

ABP BPA

Pay-Per-View Supply Chart

June

The Accused — Source: Paramount
MPAA Rating: R — Running Time: 110 mins.
Cast: Kelly McGillis, Jodie Foster

Au Revoir Les Enfants — Source: Sage
MPAA Rating: PG — Running Time: 105 mins.
Cast: Gaspard Manesse, Raphael Fejto

Babette's Feast — Source: Sage
MPAA Rating: G — Running Time: 104 mins.
Cast: Stephane Audran, Bibi Anderson

Blueberry Hill — Source: MGM/UA
MPAA Rating: R — Running Time: 93 mins.
Cast: Carrie Snodgrass, Jennifer Rubin

Clara's Heart — Source: Warner Bros.
MPAA Rating: PG-13 — Running Time: 108 mins.
Cast: Whoopi Goldberg, Michael Ontkean, Kathleen Quinlan, Neil Harris

Dead Ringers — Source: 20th Century-Fox
MPAA Rating: R — Running Time: 116 mins.
Cast: Jeremy Irons, Genevieve Bujold

Dominick & Eugene — Source: Orion
MPAA Rating: PG-13 — Running Time: 109 mins.
Cast: Jamie Lee Curtis, Tom Hulce, Ray Liotta

Eight Men Out — Source: Orion
MPAA Rating: PG — Running Time: 120 mins.
Cast: John Cusack, D.B. Sweeney, John Mahoney, Christopher Lloyd, Charlie Sheen

Everybody's All American — Source: Warner Bros.
MPAA Rating: PG — Running Time: 125 mins.
Cast: Dennis Quaid, Jessica Lange, Timothy Hutton

Full Moon In Blue Water — Source: HBO
MPAA Rating: R — Running Time: 95 mins.
Cast: Gene Hackman, Teri Garr, Burgess Meredith

Last Rites — Source: MGM/UA
MPAA Rating: R — Running Time: 104 mins.
Cast: Tom Berenger, Daphne Zuniga, Anne Twomey, Dane Clark

Madame Sousatzka — Source: Universal
MPAA Rating: PG-13 — Running Time: 122 mins.
Cast: Shirley MacLaine, Navin Chowdhry, Twiggy, Peggy Ashcroft

Pumpkinhead — Source: MGM/UA
MPAA Rating: R — Running Time: 88 mins.
Cast: Lance Henriksen, John DiAquino

Sweet Hearts Dance — Source: Tri-Star
MPAA Rating: R — Running Time: 101 mins.
Cast: Don Johnson, Jeff Daniels, Susan Sarandon, Elizabeth Perkins

Things Change — Source: Columbia
MPAA Rating: PG — Running Time: 105 mins.
Cast: Don Ameche, Joe Mantanga

Tougher Than Leather — Source: Avalon
MPAA Rating: R — Running Time: 87 mins.
Cast: The Beastie Boys, Run DMC

Tucker: The Man & His Dreams — Source: Paramount
MPAA Rating: PG — Running Time: 111 mins.
Cast: Jeff Bridges, Joan Allen, Martin Landau, Frederic Forrest

The Unbearable Lightness Of Being — Source: Orion
MPAA Rating: R — Running Time: 173 mins.
Cast: Daniel Day-Lewis, Juliette Binoche, Donald Moffat

July

Alien Nation — Source: 20th Century-Fox
MPAA Rating: R — Running Time: 89 mins.
Cast: James Caan, Mandy Patankin

A Cry In The Dark — Source: Warner Bros.
MPAA Rating: PG-13 — Running Time: 121 mins.
Cast: Meryl Streep, Sam Neill

Bird — Source: Warner Bros.
MPAA Rating: R — Running Time: 161 mins.
Cast: Forest Whitaker, Diane Venora

Coming To America — Source: Paramount
MPAA Rating: R — Running Time: 116 mins.
Cast: Eddie Murphy, Arsenio Hall, James Earl Jones

The Experts — Source: Paramount
MPAA Rating: PG-13 — Running Time: 94 mins.
Cast: John Travolta, Arye Gross, Kelly Preston

My Stepmother Is An Alien — Source: Columbia
MPAA Rating: PG-13 — Running Time: 108 mins.
Cast: Dan Akroyd, Kim Basinger

Shame — Source: Skouras
MPAA Rating: R — Running Time: 90 mins.
Cast: Deborra-Lee Furness, Tony Barry

Twins — Source: Universal
MPAA Rating: PG — Running Time: 107 mins.
Cast: Arnold Schwarzenegger, Danny DeVito

Note: Running times are approximate.
NR indicates film not rated by MPAA.
* Unavailable at presstime.

Film information provided to *Cablevision* by distributors.

Pay-Per-View Services Profile

	LAUNCH	DELIVERY	ENCRYPTION	PROGRAMMING	ADDRESSABLE SUBSCRIBERS
Cable Video Store	April 1, 1986	Galaxy III, tr.5	VideoCipher II	Movies, how-to's, special events.	750,000
Playboy On Demand	September 1, 1987	Satcom IV, tr.24	VideoCipher II	Original Playboy programs and adult motion pictures.	1,500,000
Request Television	November 27, 1985	R-1: Satcom III-R, tr.19 R-2: Satcom III-R, tr.4	VideoCipher II	Two channels offering movies and special events.	4,500,000
Tuxxedo Network	December 1, 1987	Galaxy II, tr. 10	VideoCipher II	Adult movies and special events.	500,000
Viewer's Choice	November 26, 1985	VC-1: Galaxy III, t. 21, VC-2: Galaxy III, t. 16	VideoCipher II	Two channels of movies and special events.	5,500,000

The CABLE POLL

™Midwest CATV & CableVision Magazine

Compatibility is operators' biggest concern with fiber

While the thought of implementing fiber optic technology in their systems engenders several sorts of concerns on the part of cable operators, their biggest worry is how it will work with existing distribution hardware. When interviewed, 50 percent of operators said the issue of compatibility with standard tree-and-branch coaxial gear concerned them a lot and another 23 percent said it concerned them some.

On the other hand, operators certainly aren't worried about a scarcity of fiber products. Probably because of the recent rush by many manufacturers to enter the fiber field, the one major area of lightwave technology that is of least concern to operators is product availability. Only 28 percent of those surveyed by the Cable Poll™ said availability of fiber gear concerned them a lot, while more than a third—38 percent—said product availability concerned them very little or not at all.

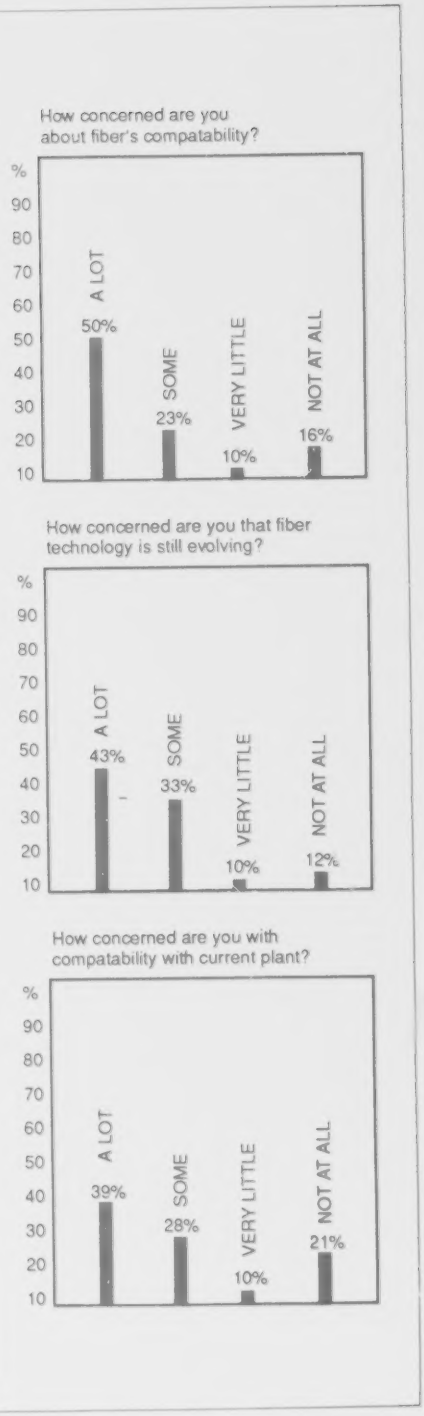
Among the other concerns of operators about fiber optics are that the technology is still evolving, and that it may be difficult to install fiber gear and then maintain it once it is in place. When interviewed, 76 percent of operators said the continuing evolution of fiber, within the context of their plans for implementing the technology, concerned them "some" or "a lot."

Number 5 in a series of ten

Interestingly, operators by a small percentage are less concerned about installing fiber than they are about maintaining it once it becomes a part of the distribution system. Fifty-nine percent said they were concerned some or a lot about their ability to install fiber gear, while 67 percent expressed the same levels of concern about maintenance.

According to data from the Cable Poll™, operators' apparent comfort level with fiber optics increases according to the size of the system where they work. Compatibility was cited as a major concern by only 38 percent of operators who run systems with 50,000 or more subscribers. Otherwise, operators at small, medium and large systems express strikingly similar levels of concern about the other operational issues surrounding fiber.

The Cable Poll™ is a sampling of industry opinion conducted on a regular basis by Ryan/Samples Research for Midwest CATV and *CableVision* magazine. Telephone interviews for this edition of the poll were conducted March 13-23; a total of 400 interviews were completed using a listing of system management personnel obtained from CableFile. Cable Poll™ researchers are 95 percent confident that the data is accurate within plus or minus 4.9 percentage points.



attracted $82.3 million in revenues and $21.4 million in operating profits during the quarter, largely due to TNT's ratings and ad sales performance. Without TNT, revenues for the division would have increased 12 percent from the same 1988 quarter, instead of 42 percent.

• **Viacom** finished its first 1989 quarter with $199.1 million in net earnings and $341.1 million in revenues. That compares with a $61.1 million net loss on $293.1 million in revenues the previous year. All of the company's divisions reported increased revenues and earnings during the cycle, with Viacom Cable having $15.4 million in earnings and $78.8 million in revenues. On the programming side, Showtime Networks gained about 310,000 new subscribers during the quarter, but programming expenses contributed to a $10.3 million operating loss. MTV Networks' revenue jumped 31 percent over 1988 on the basis of ad sales and affiliate fee gains.

QUARTERLY EARNINGS CHART

Dollar amount in thousands

Company (Quarter/Fiscal Year)	Revenues	%Change	Operating Profit	%Change	Net Income	%Change
Financial News Network (3rd/89)	$ 16,408	14.4	$ N.A.	N.A.	$ 747	-41.6
QVC Network (1st/89)	52,486	27.3	1,692	39	1,182	12.6
Tele-Communications Inc. (1st/89)	655,400	32.6	130,000	15.3	-51,400	-42
Turner Broadcasting (1st/89)	231,979	21.1	51,953	19.2	-421	97
Viacom (1st/89)	341,120	16	28,648	6	199,112	99.6
Video Jukebox Network (1st/89)	376	32.1	N.A.	N.A.	-680	-97.4
Walt Disney Co. (2nd/89)	1,040,000	34	N.A.	N.A.	149,000	24
WestMarc Communications (1st/89)	49,939	125	11,623	65.4	-4,853	-90.9

• **Phoenix Cable** will provide $2.3 million in senior loans to **Sterling Communications Inc.**. Sterling will use the money to buy out and upgrade Black Rock Cable TV, which serves 600 homes in Death Valley, Calif., and southwestern Nevada.

The company intends to extend Black Rock's plant and eventually serve more than 2,000 homes in its present territory.

ADVERTISERS INDEX

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Subscriber Count

Satellite national services

Basic services	Affiliates	Subscribers
ACTS Satellite Network	387	9,000,000
Alternate Views Network	300	4,500,000
Arts & Entertainment Network (A&E)	3,000	48,000,000
Black Entertainment Television	1,500	22,228,000
CNBC	N.A.	54,000,000
Cable News Network	11,500	50,295,000
Cable Value Network	1,850	21,000,000
CBN Family Channel	8,000	44,227,000
C-SPAN	3,243	45,500,000
C-SPAN II	632	17,500,000
Country Music Television	1,092	9,124,974
The Discovery Channel	8,000	40,642,000
Eco-Galaxicom	300	1,000,000
ESPN	9,500	50,382,000
Eternal Word Television Network	400	10,500,000
Family Guide Network	90	4,500,000
FamilyNet	84	1,200,000
The Fashion Channel	600	10,700,000
Financial News Network	3,500	35,412,000
FNN Score	3,000	19,900,000
FNN/Tel-Star	3,350	14,500,000
Headline News	3,450	35,774,000
Home Shopping Network	1,462	16,430,155
Home Shopping Network II	867	6,738,625
The Inspirational Network	920	15,500,000
International Television Network	25	1,868,000
KTVT	41	3,600,000
The Learning Channel	3,600	15,000,000
Lifetime	3,500	42,757,000
Mind Extension University	84	2,200,000
MTV	5,405	46,020,000
Movietime	142	11,500,000
The Nashville Network	141	44,835,000
National College Television	147	5,500,000
Network 1 (1 SOX)	N.A.	N.A.
Nick At Nite	5,440	52,440,000
Nickelodeon	6,000	48,500,000
The Nostalgia Channel	800	4,000,000
Prevue Guide	994	10,000,000
QVC Network	1,033	14,000,000
RFD-TV	70	2,182,190
Shop Television Network	139	5,000,000
Silent Network	404	12,500,000
SportsChannel America*	N.A.	3,500,000
Superstation TBS	9,420	49,190,000
Telemundo**	8	400,000
TNT	5,745	27,500,000
The Travel Channel	1,000	11,000,000
Trinity Broadcasting Network	228	9,100,000
Univision**	400	4,250,000
USA Network	10,000	47,290,000
VH-1	2,930	32,139,000
Vision Interfaith Satellite Network	615	16,200,000
The Weather Channel	3,000	36,174,000
WGN-TV	11,415	24,900,000
WWOR-TV	2,000	12,500,000
WPIX-TV	955	13,678,474

Bonus basic services		
American Movie Classics	1,500	10,000,000
Bravo	158	2,000,000

Pay services		
American Exxxtasy	35	2,000
Cinemax	3,650	6,600,000
The Disney Channel	3,000	4,557,300
Home Box Office	7,300	17,000,000
The Movie Channel	2,250	2,200,000
The Playboy Channel	520	470,000
Showtime	6,000	6,600,000

Audio services		
AEI Lifestyle	142	2,528,858
AEI Star Tracks Vocal Hits	26	854,300
Cable Radio Network	49	1,356,730
Galactic Radio	84	1,050,000
KKGO Super Jazz	18	135,934
Moody Bible Institute	65	1,088,568
Satellite Radio Network	237	484,000
Tempo Sound	135	1,280,000
WFMT Chicago	110	1,250,504

Text services		
AP News Cable	185	2,500,000
AP Business Plus	54	1,400,000
AP News Plus	75	1,100,000
Cable Sports Tracker	41	875,000
EPG	280	6,500,000
EPG Jr.	330	500,000
Genesis Storytime	39	1,550,000
Reuters NewsView	127	2,437,000

Computer services		
DBC MarketWatch	462	9,200,000
X*Press Executive	487	14,000
X*Press X*Change	487	14,000

Non satellite-fed national services

Basic services	Affiliates	Subscribers
Cable Video Entertainment	190	18,000,000
Consumer Classified Ad Network	3	195,000
Fun Network	3	12,000
Vector Consumer News	5	200,000
Vector Consumer Shopping Guide	9	325,000

Pay services		
Nippon Golden Network	5	13,600

Interactive services

Basic services	Affiliates	Subscribers
Video Jukebox Network	12	543,000

Regional services

Basic services	Affiliates	Subscribers
Arizona Sports Programming Network	N.A.	210,000
Atlanta Interfaith	7	180,000
Bay Area Religious Channel	6	113,000
Cable TV Network of New Jersey	54	1,396,451
The Ecumenical Channel	9	170,000
KBL Entertainment Network	67	1,200,000
Lite Newsvision	35	50,000
Madison Square Garden Network	112	2,300,000
Meadows Racing Network	14	600,000
News 12 Long Island	4	594,000
Niagara Frontier Sports Network	13	800,000
Northwest Cable Sports Network	3	700,000
Pennarama	28	750,000
Prime Cable	9	381,938
Prime Sports Network	11	300,000
Prism Tucker	94	3,000,000
SportsChannel (Chicago)	50	1,507,270
SportsChannel (Ohio)	2	280,000
Sunshine Network	200	2,310,000

Pay services		
Home Sports Entertainment	250	1,000,000
Home Team Sports	125	1,200,000
New England Sports Network	171	317,201
Prism	87	427,000
Pro Am Sports	173	523,000
SportsChannel (Florida)	22	650,000
SportsChannel (New England)	154	1,028,431
SportsChannel (New York)	100	1,500,000
7 Channel	73	110,010

Note: Figures for affiliate subscriber counts will be updated quarterly unless information is provided by the service. Send information to: CableVision, Cable Stats, 432 Park Avenue South, Suite 1010, New York, NY 10016.
N.A. denotes information not available.
*Count represents standalone affiliates subscribers; portions of SC America are carried on Home Team Sports and the SportsChannel family of regional services.
**Spanish-speaking households.

Announced services

Satellite-fed services	Expected launch
American Movie Network	4th Quarter 1989
The Asia Network	1989
Classic Channel Network	10/89
CUBE: The Digital Music Network	6/89
The Computer Channel	8/89
Digital Cable Radio	4th Quarter 1989
Digital Radio Channel	4th Quarter 1989
The Gaming Network	3rd Quarter 1989
HBO Comedy Channel	4th Quarter 1989
Interactive Guide Network	3rd Quarter 1989
Kids Information Network	2nd Quarter 1989
The Landscape Channel	2nd Quarter 1989
Laugh TV	3rd Quarter 1989
Maximum Entertainment Network	6/89
Mobile Sports News Network	3rd Quarter 1989
Music Image Channel	11/89
Spanish TV News Network	6/89
Talk Television	3rd Quarter 1989
U Network	8/89

Non satellite-fed services	Expected launch
ACTV	3rd Quarter 1989
Main Street	2nd Quarter 1989
On Demand TV-TV Network	4th Quarter 1989

PARTING WORDS

Theft of service: the old is news again

Despite many aggressive efforts undertaken by cable operators to fight theft of service, piracy remains one of the industry's most intractable dilemmas.

When *Cablevision* published a cover story on the subject three years ago that began with those words, analysts were estimating that theft-of-service cheated cable operators and networks out of $1 billion in annual revenues. At the time, Ed Bleier, president of Warner Bros.' pay TV division, was in the forefront among media leaders in calling for an industry counterattack on unauthorized theft of service. Now, three years later, Bleier is reviving his anti-piracy exhortation, convinced by independently-gathered data that the problem is worse than ever and is costing the business $1.5 billion in lost income.

Most officials agree that cable's vigilance on theft has increased in the last three years, with MSOs tightening audit procedures and playing up police busts on illegal converter suppliers. Cable-specific theft laws now are on the books in most states and NCTA is operating a signal theft program with the Motion Picture Association of America. Indeed, according to Paul Kagan data, the illegal subscriber universe declined in 1987, when most of these actions were instituted. But lately the gap between the number of paying subscribers reported by cable network affiliates and the number of cable viewers reported by A.C. Nielsen and others is widening, and Bleier believes illegals are fully responsible. For February, Nielsen estimated the cable universe at 54.5 million homes while cable systems counted 47.9 million homes—a 6.5 million gap attributed by many to illegals, compared to 5.5 million last year and 3.5 million in 1987.

"More people want to buy it because of the improved programming, so more people want to steal it. And the product gets more attractive every day," Bleier says.

Kagan analysts, however, assert that only slightly more than half of the gap is attributable to theft of service; the other half is due to Nielsen's inclusion of wireless cable, SMATV and some TVRO homes in its count. Jim Allen, director of NCTA's signal theft office, also questions the numbers, but shares Bleier's conclusion. "The industry has made some tremendous inroads since 1986, but Ed makes an important point. Cable has a larger universe and more valuable services and all of us have to be concerned."

Allen believes illegal pay-per-view reception is fueling some of the lost revenue increase. His NCTA branch is calling for an in-depth review of theft trends that could suggest a new round of comprehensive actions by equipment providers, operators and networks. Bleier wants more systems to implement addressability and each MSO to appoint a designated executive to supervise anti-theft programs and order changes if necessary. Converter manufacturers could join in by budgeting more R&D funds to advanced control technology, he adds.

Theft activity declined when Bleier and others raised their voices and produced action in 1986. A similar movement could do better, if all sides contribute ideas and take action. Otherwise, the opening paragraph of our 1986 story could be news again, no changes necessary. ■

THEFT IS ON THE RISE

	1986	1987	1988	1989	1990 (est.)
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Source: Paul Kagan Associates. Subscriber counts in millions.

They said it...

"Here we go again. Reregulate all rates and give our product to the competition (i.e. telcos) to sell. A great perscription for the 'free marketplace.' "

—CATA's reaction to Sen. Howard Metzenbaum's proposed legislation (5/89 newsletter)

"Everyone (in the workplace) should be judged on performance. There should be a day when you don't need EEO. I don't see why that day shouldn't be now. When we can erase other job considerations, we'll have succeeded in bringing that day about."

—Kay Koplovitz, USA Network president, appearing before New York Women In Cable (5/15)

"I don't think it's that hard for operators to be at peace with the communities they live with. They have to realize that you can't just contribute to the bottom-line; you have to be a community player. True decentralization among MSOs is the way to achieve that."

—Columbia International President Bob Rosencrans, from New York Women In Cable's meeting (5/15)